

DNRC SIX MILE - 2011

Paraic David Neibergs, MA, ARA Norman C. Wheeler & Associates 31 Fort Missoula Road, Suite 3 Missoula, MT 59804 406-829-3773 409-829-3964 (Fax)

SUMMARY APPRAISAL REPORT of the

DNRC SIX MILE PARCEL #518

Consisting of 40 Deeded Acres

LOCATED WITHIN THE SIX MILE AREA OF THE MISSOULA VALLEY

Missoula County, Montana

Effective Date: June 3, 2011

Prepared for:

Mr. John Grimm
The State of Montana DNRC
Trust Land Management Division
PO Box 201601
Helena, Montana 59620-1601

Table of Contents

Transmittal Letter	5
Summary of Salient Facts	7
Property Identification	9
Legal Description	10
Client, Intended Users, Intended Use	10
Type of Report	10
Competency	12
Appraisal Purposes	13
Market Value Definition	13
Exposure Time	13
Scope	14
Property Rights	15
Date of the Report	15
Ownership History	15
Area/Regional	16
Subject Description	23
Appraisal Process	36
Highest and Best Use Analysis	40
Approaches to Value	45

Sales Comparison Approach	46
Reconciliation	54
Assumptions and Limiting Conditions	55
Certificate	58
Exhibits	60



Real Estate Appraisals

Brokerage

Consulting

Management

Bozeman Office:

N. Clark Wheeler, ARA, Broker/Owner, MT Certified General Appraiser, MT & WY Clark@ncwheeler.com

Thomas O. Kingsbury GIS Database Technician Tom@ncwheeler.com

Missoula Office:

Paraic David Neibergs, M.A./ARA Certified General Appraiser, MT Real Estate Sales Associate, MT Neibergs@qwestoffice.net

June 27, 2011

Mr. John Grimm
The State of Montana DNRC
Trust Land Management Division
PO Box 201601
Helena, Montana 59620-1601

RE: Appraisal of the State of Montana DNRC 6-Mile Parcel #518

Dear Mr. Grimm:

Pursuant to your authorization and request, I have inspected and appraised the Montana real property ownership associated with the 6-Mile Parcel #518 owned by the State of Montana DNRC. The property is located west of Frenchtown, Montana and north of Interstate 90 in the Six Mile Creek drainage. Frenchtown is a bedroom community that is located about 20 miles west of Missoula within the Clark Fork River Valley. The subject property is located in a rural/suburban area that is subdivided in to multiple residential tracts of various sizes.

The subject is a 40 acre unimproved parcel that consists of recreational timberland and open grassland suitable for residential homesite(s) purposes. The timber consists predominately of mature Ponderosa Pine with some Douglas Fir. The topography is for the most part level with gentle slopes. Access to the property is good via public and private roads.

The aesthetics and recreational attributes of the property include its timbered setting and on-site habitat for multiple species of wildlife.

421 W. Mendenhall, Bozeman, MT 59715 P.O. Box 1053, Bozeman, MT 59771 Phone: 406/587-7701, Fax: 406/587-2638

ARA - Accredited Rural Appraiser

Building 31, Fort Missoula Rd., Suite 3 Missoula, MT 59804 Phone: 406/829-3773; Fax: 406-829-3964





The purpose of the appraisal is to provide the clients with a credible opinion of fair market value of the appraised subject property and is intended for use in the decision making process concerning the potential sale of said subject property.

This appraisal represents a summary appraisal report and was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This report is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of USPAP. It presents only summary discussions of the property features, as well as the data, reasoning, and analyses used in the appraisal process to develop an opinion of value. This summary appraisal report limits the reliance of the report to the clients for its intended use.

As instructed, a hypothetical condition is used that states there are no existing leases or licenses. Use of this hypothetical condition may affect the results and conclusions.

Based on the characteristics of the subject property, market conditions, and analysis of the data, I conclude the following value for the subject property and the identified property interest.

\$240,000

This represents my opinion of value for the fee simple ownership rights associated with the property described and are subject to the conditions and comments appearing in this report.

If you have any questions or would like to discuss this appraisal report further, please contact me. Thank you for the opportunity to work with you and on behalf of the State of Montana.

Respectfully Submitted,

Paraic David Neibergs, MA, ARA Accredited Rural Appraiser #1098

General Certified Appraiser, Montana (#248)



Land Banking Parcel Sale #518

OWNER OF RECORD:

State of Montana - DNRC

LEGAL DESCRIPTION:

NE4NE4 S14, Township 15 North, Range 22 West

COUNTY:

Missoula

LEGAL ACCESS:

County road

PHYSICAL ACCESS:

Gravel road

INTENDED USE:

Estimate market value of the identified real estate

ownership rights.

CLIENT:

State of Montana, the Montana Board of Land

Commissioners and the Department of Natural

Resources and Conservation (DNRC).

INTENDED USERS:

State of Montana, the Montana Board of Land

Commissioners and the Department of Natural

Resources and Conservation (DNRC).

LOCATION:

~2 miles north of Huson and 20 miles west of

Missoula, Montana.

EFFECTIVE DATE:

June 3, 2011

DATE OF REPORT:

June 27, 2011

ZONING:

None

COMP. PLAN:

Open and Resource

CURRENT USE:

Timber

PROPERTY DESCRIPTION:

The subject property is a 40 acre tract of unimproved

land. The property consists predominately of

timberland on gentle slopes.

HIGHEST AND BEST USE:

Recreational homesite with inherent potential for

further subdivision and residential development.

HYPOTHETICAL CONDITION:

1.) There are no leases or licenses. Use of this hypothetical condition may affect the assignment results and conclusions.

ESTIMATES OF VALUE:

\$240,000

I. PROPERTY IDENTIFICATION & PRESENT OWNERSHIP

The subject is a rural/suburban recreational tract that consists of **40 acres** of timberland. It is located in the Six Mile area north of Huson within the Clark Fork River Valley west of Missoula and north of I-90. As noted in the photo below, the surrounding area consists predominately of rural residential tracts on various sized parcels that are located within timbered settings.

The subject consists predominately of unimproved timberland on level slopes. The property was recently logged and the remaining timber consists predominately of mature Ponderosa Pine with good spacing. There is a small drainage and seasonal wetland within the northeastern corner of the property. Access is good along a county road.



The subject is owned by the **State of Montana Department of Natural Resources** and **Conservation – DNRC.**

II. LEGAL DESCRIPTION

The legal description for the property is as per information provided. A parcel map is included on the following page.

Township 15 North, Range 22 West, P.M.M., Missoula County, Montana

Section 14: NE4NE4

III. AUTHORIZATION, INTENDED USERS, and CLIENT

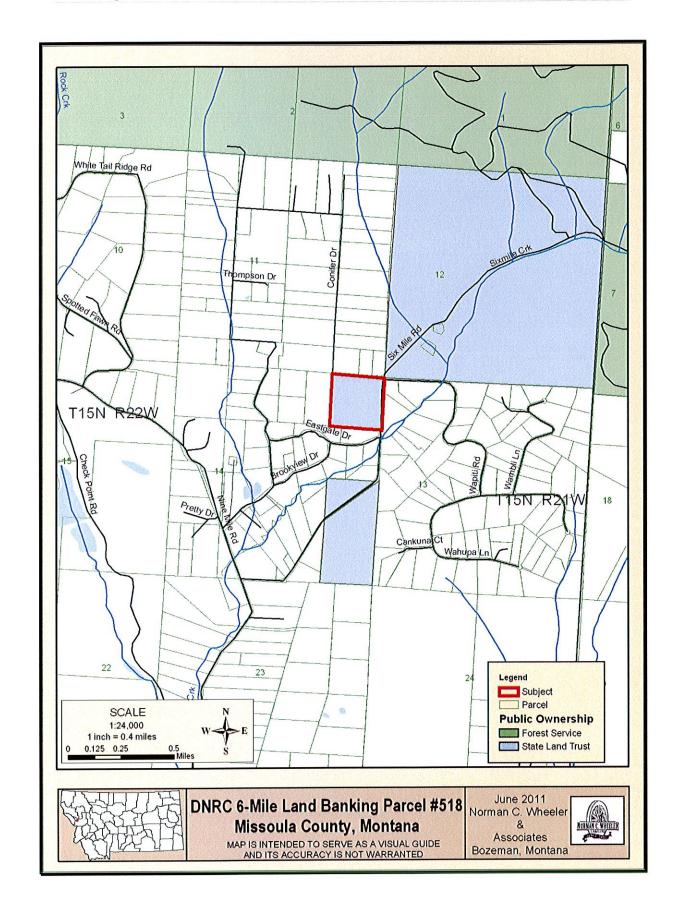
A. Authorization: I was authorized to complete an appraisal of the subject property by the State of Montana DNRC. The appraisal is being completed in accordance with the State of Montana Land Banking program.

The appraisal is being completed to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) and the attached Land Banking scope of work.

B. Client and Intended Users: The clients and the intended users include the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).

IV. TYPE OF REPORT

In accordance with Standard 2 of the Uniform Standards of Professional Appraisal Practice (USPAP), a summary report was completed. According to Standard Rule 2-2(b) a summary report contains all information significant and relevant to the solution of the appraisal problem. *Summarize* is the distinguishing term related to the summary appraisal report. It summarizes the rational and analysis used in the appraisal process to conclude an estimate of value. The depth of discussion included in the report is specific to the intended use of the report and the needs of the client(s).



V. STATEMENT OF COMPETANCY

The Uniform Standards of Professional Appraisal Practice (USPAP) requires that prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently or:

- i. disclose the lack of knowledge and/or experience to the client before accepting the assignment; and
- ii. take all steps necessary or appropriate to complete the assignment competently; and
- iii. describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.

I have been appraising rural, recreational and investment properties in the States of Montana, Washington, and Idaho since 1987. I am familiar with the geographical area in which the subject is located. Properties, which are physically and economically similar to the subject, have been common appraisal assignments. Appraisal reports have been reviewed and approved by multiple public agencies at all levels including national offices in Washington D.C.

The appropriate steps have been taken to comply with the competency provision as required by USPAP. Requirements have been satisfied based on my experience, applicable education, knowledge of theory and appropriate techniques in appraising rural, transitional, and recreational real estate.

I am a State Certified General Appraiser in the state of Montana with continued education requirements being current. I hold the Accredited Rural Appraiser (ARA) designation which is awarded by the American Society of Farm Managers and Rural Appraisers to those members who have had years of experience, are technically trained, have passed a rigid examination, and subscribe to a high code of ethics. This professional designation is awarded on the basis of demonstrated competency in valuing the type of property considered herein.

VI. APPRAISAL PURPOSE

The purpose of the appraisal is to provide the clients with a credible opinion of fair market value of the appraised subject property and is intended for use in the decision making process concerning the potential sale of said subject property.

VII. DEFINITION OF VALUE and DISTRIBUTION OF VALUE

For purposes of this report, market value is defined in accordance with MCA 70-30-313.

Current fair market value is the price that would be agreed to by a willing and informed seller and buyer, taking into consideration, but not limited to, the following factors:

- 1. the highest and best reasonably available use and its value for such use, provided current use many not be presumed to be the highest and best use;
- 2. the machinery, equipment, and fixtures forming part of the real estate taken; and
- 3. any other relevant factors as to which evidence is offered.

Value as assigned in this report applies to the real estate as described. It does not consider the value of forages. As noted herein, a separate contributory value analysis of any existing timber rights is not made. This property right is considered as part of the overall value as assigned to the real estate and the value is reflected by the land values exhibited in the market. Inherent in the land values assigned are basic land improvements including roads, trails, and utilities.

VIII. EXPOSURE TIME

Exposure time is the estimated length of time the property interest being appraised would have been offered on the market *prior* to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Exposure time is always presumed to precede the effective date of the appraisal. Given the attributes of the property, an exposure time of 12 months is reasonable.

IX. EXTENT OF PROCESS (SCOPE)

A self inspection of the subject property was made on June 3, 2011. The property was inspected from public and private roads and trails and within portions of the interior boundaries. In conjunction with the inspection, I have relied upon aerial photographs, topography maps, GPS readings, satellite imagery, plat maps, and discussions with the State of Montana to become familiar with the property.

When applicable, public agencies (Rural Economic and Community Development Services, Montana Fish, Wildlife and Parks, Department of Natural Resources and Conservation, in addition to the Missoula County Courthouse) were contacted for specific information concerning the subject property. Information on soil types, water rights, potential land uses, and wildlife/natural resources were obtained from these agencies. The reported acreage is based on the State of Montana CAMA data.

In addition to data on file, a research for comparable sales was completed. The most comparable and representative sales were used. County records were perused, Multiple Listing Services (MLS) were researched, and active Realtors and appraisers were contacted for market data. All sales were verified with the buyer, seller, agents, or other parties having knowledge of the transaction.

Comparable sales were inspected to the extent possible. Trespass was avoided and owner permission was obtained when feasible. When a property was not accessible and/or was not inspected, aerial photos, maps, and discussions with parties familiar with the property were relied on.

Montana is a nondisclosure state; thus, aside from sale notices or deeds, no sales data is of record. No sale values are reported and sale values must be personally confirmed. I have made a diligent effort to correctly ascertain the circumstances and values surrounding each sale and data provided by professional third parties is considered reliable. The investigation of this appraisal report included confirmation of sales with buyers, sellers or real estate professionals.

Included within this appraisal report are multiple maps. These maps are meant to be a visual aid only as a representation of the property. The maps were prepared by a GIS specialist with Norman C. Wheeler and Associates.

X. PROPERTY RIGHTS APPRAISED

This appraisal is of the fee simple ownership of the surface rights associated with the described real estate. Included in the rights appraised are timber rights associated with the property.

Sub-surface mineral rights are not appraised nor has the title to such rights been researched or ascertained. Sub-surface mineral rights do not have a measurable affect on land values in the market for the type of property considered herein.

XI. DATE OF VALUE ESTIMATE

The effective date of this report is June 3, 2011 which coincides with the date of the most recent property inspection. This appraisal was completed on June 27, 2011.

XII. THREE YEAR OWNERSHIP HISTORY OF APPRAISED PROPERTY

- 1. Ownership: The subject property is owned by the State of Montana DNRC.
- **2. Sales History:** USPAP standards require that any previous sales within a three year period be reported. The subject property has been owned by the State for multiple decades.

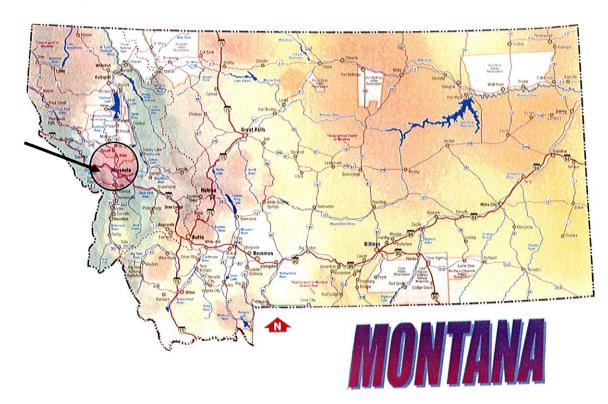
While not listed with a real estate company, the property has been offered for sale through an auction and exposed to the market at a price of \$276,000. It's my understanding that there has been minimal interest in the property and there were no bids submitted at auction.

XIII. PRESENT AND HISTORICAL USE

The present and historical use of the subject has been for timberland. The most recent harvest occurred within the last three years.

XIV. AREA - REGIONAL ANALYSIS

The subject property is located west of Missoula in the Huson area near the gateway of the Nine Mile Valley. The area is a bedroom community of Missoula. For purposes of this analysis, only a summary description of Missoula Valley will be provided. Additional details and statistics for the area are available at various sources including the Chamber of Commerce and are thus not provided in this report.



<u>Physical Attributes:</u> Known as the "Garden City" Missoula is the primary service and cultural center for the subject and is the county seat for Missoula County. Missoula is located approximately 150 miles southwest of the State Capital in Helena.



Missoula County is located in the western part of Montana and is part of the Northern Rocky Mountains. The Missoula Valley is approximately 200 square miles with a trade area population of over 150,000 people. It is virtually surrounded by mountains with numerous drainages consisting of Grant Creek, Pattee Canyon, Rattlesnake, Miller Creek, and Butler Creek. Outlying areas include the Jocko Valley to the north and the Seeley-Swan Valley to the east, and the Bitterroot Valley to the south.

Location and Transportation: The area is interspersed with city, county as well as roads administered by the U.S. Forest Service. Major transportation routes into and out of the Missoula area are readily available. I-90 is the primary transportation route serving the State with other major state highways (Highway 93 and 200) providing access to the majority of the outlying areas. The services of commercial airlines, buses, and private charters are also available in Missoula.

Regional Service Center: Missoula is the major commercial, industrial, educational, and medical center for most of western Montana. Trade center activities accounts for approximately 50% of the economic base. Motor Carriers, medical services, the railroad, and public agencies (Federal, State, County, and City) are major components to the local area. The University of Montana is located in Missoula and ranks as the largest single employer. The University is a major contributor to the local economy given its students, faculty and the sponsorship of many sporting, conferences, and cultural events.

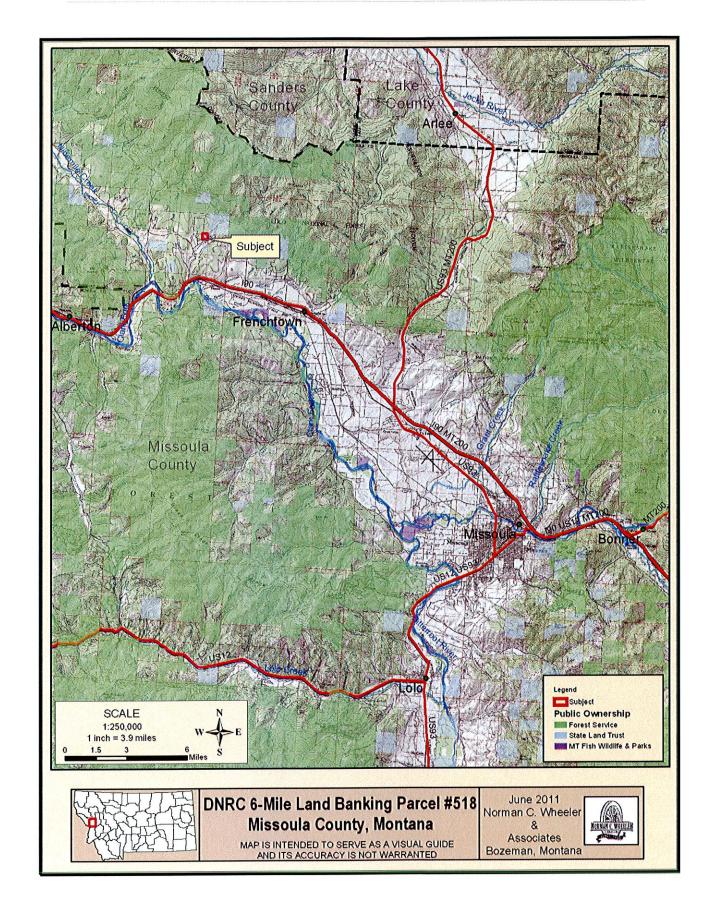
Since the early 90's, the Missoula area has experienced an increasing growth in population with many people moving from outside the state. Missoula County has been one of the fastest growing areas in the State of Montana. As of 2000, the population of the City of Missoula is estimated at approximately 57,000 - this is an increase of ~10% from 1997. The 2008 Census estimate puts the city's metropolitan area population at 107,320.

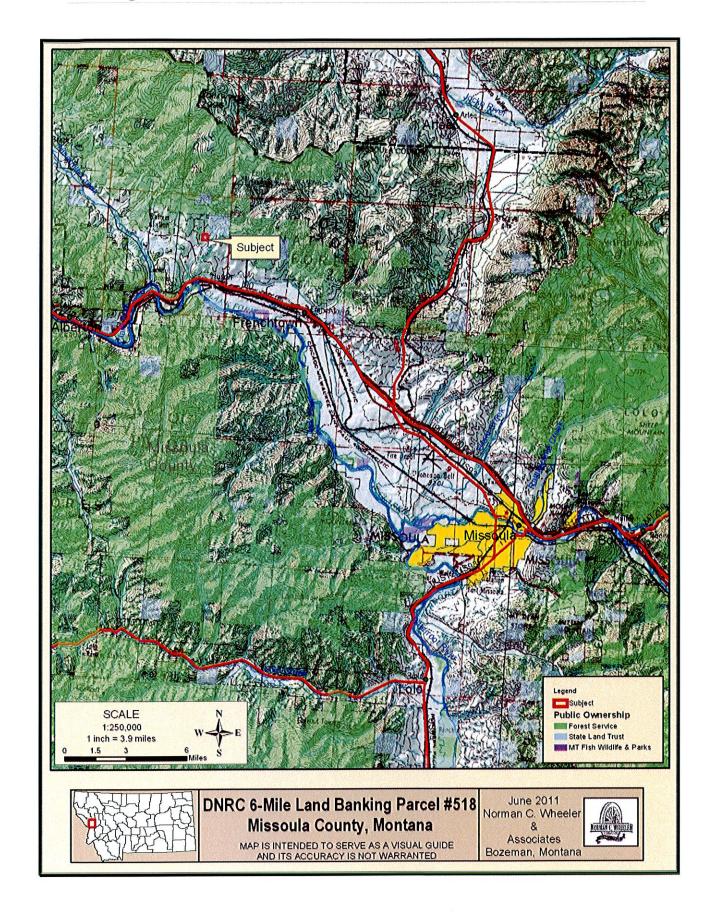
Over the last decade, this growth has translated into numerous developments in all facets of the real estate market; especially in the retail and residential segments. Significant expansion within the retail and commercial sectors has occurred with the Reserve Street corridor and the development park just north of the airport. Over the last three years, the growth has waned.

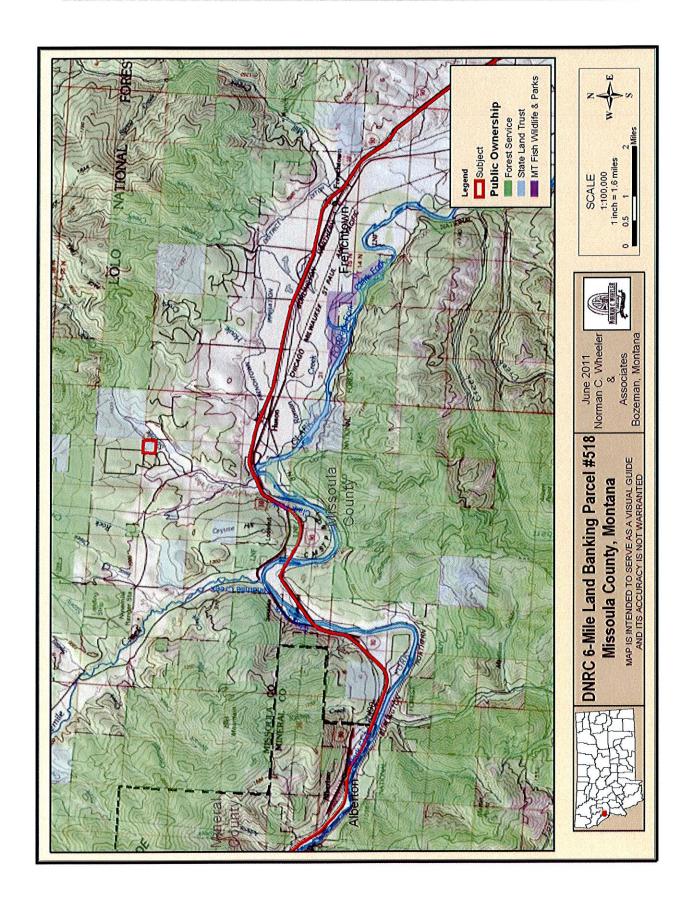
<u>Governmental Influences:</u> The areas around the Missoula proper are zoned while the rural areas of Missoula County are unzoned. State regulation restricts subdividing a parcel of land below 160 acres. Any parcel that is not already subdivided and is smaller than 160 acres must comply with the Montana Subdivision and Platting Act. Depending on the number of tracts to be developed and their size, the subdivision must be reviewed and approved.

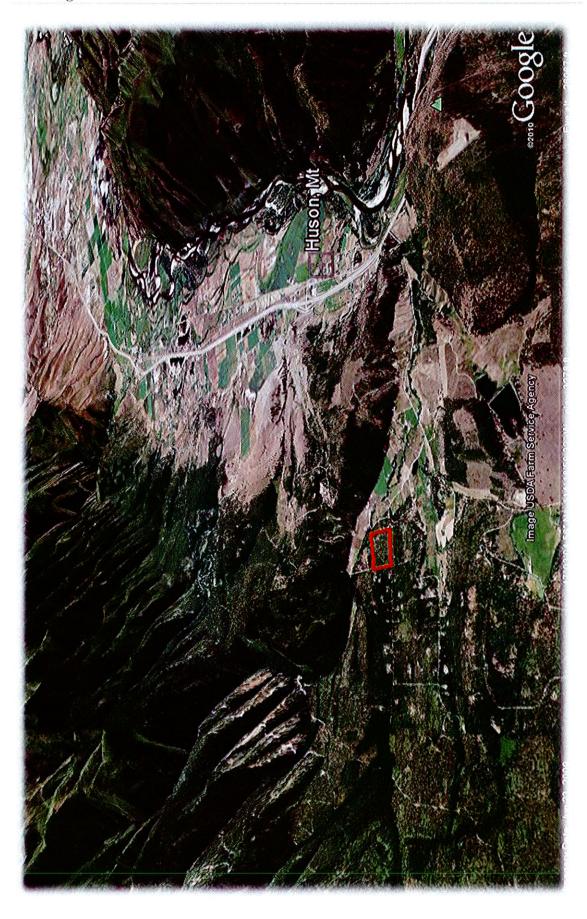
Missoula County has a comprehensive plan to "guide" growth and land uses within the county. The rural areas are generally classified as open and resource lands with a recommended minimum lot size of 40 acres for residential use.

<u>Environmental Factors:</u> Environmental forces that influence property values can be both natural and man-made. Environmental forces include the climate, wetlands, soil quality, topography, and contamination (hazardous wastes). Many areas along small streams and rivers are susceptible to flooding, which limits the use of the land.









XV. SUBJECT PROPERTY DESCRIPTION

Location and

Access: Consisting of 40 acres, the subject is located in the western Missoula Valley about 2 air miles north of Huson, Montana and 20 miles west of Missoula. The



property lies within the Six Mile area.

The subject property has very good legal access along public roads. Six Mile Road (public county road) runs along the subject's eastern boundary. While Conifer Road (noted as a private road that services multiple private parcels) runs just north of the subject's northern boundary, there are approaches. Within the interior of the subject, there is a private road/trail that runs through the property. Overall, the subject has very good legal and physical access.

Land Description:

The subject is a quarter mile square that consists of 40 acres. It lies adjacent to multiple parcels of private land.



The subject is a homogenous tract

of timberland that has various small openings of grassland. Topography consists primarily of gentle slopes. There is a drainage at a lower elevation within the northeastern corner of the property. This is a seasonal drainage with water flowing in a ditch that parallels 6 Mile Road.

Aesthetic and Recreational Amenities: With a forested setting, the subject's amenities include mature timber and on-site habitat for multiple species of wildlife. Views are for the most



part enclosed to the property itself. Although the property does have some surface water, it is smaller water that is seasonal.

Complemented by other private land in the area, the property is occupied by area wildlife during various periods. Whitetail are common with evidence of elk as well. As noted, the subject does have seasonal water within the northeastern corner.

Water Rights and Irrigation Systems: There are no water rights associated with the property. With respect to wells in the area, many are low producing (less than 10 GPM with many less than 5 GPM) thus; the availability of domestic water does create a degree of uncertainty. It's noted that two properties north of the northeastern corner have some of the better producing wells in the area being at 8 and 6 GPM.

Hazards/Condition/Environmental Concerns: Based upon my inspection, there are no known environmental concerns that would impact the property or its highest and best use. Given the subject is a timbered property, fire is an inherent risk. Typical for the area/market, there are areas with noxious weeds including, but not limited to knapweed.

Zoning: The subject is unzoned. The comprehensive plan designates the subject as *open and resource* land. It's noted that this designation is attributed to the State ownership as the adjacent private land is designated as rural low density residential or 1 dwelling unit per 10 acres.

Easements: While a title commitment was not provided, it is evident that there is a utility and road easement(s) along the external fringes.

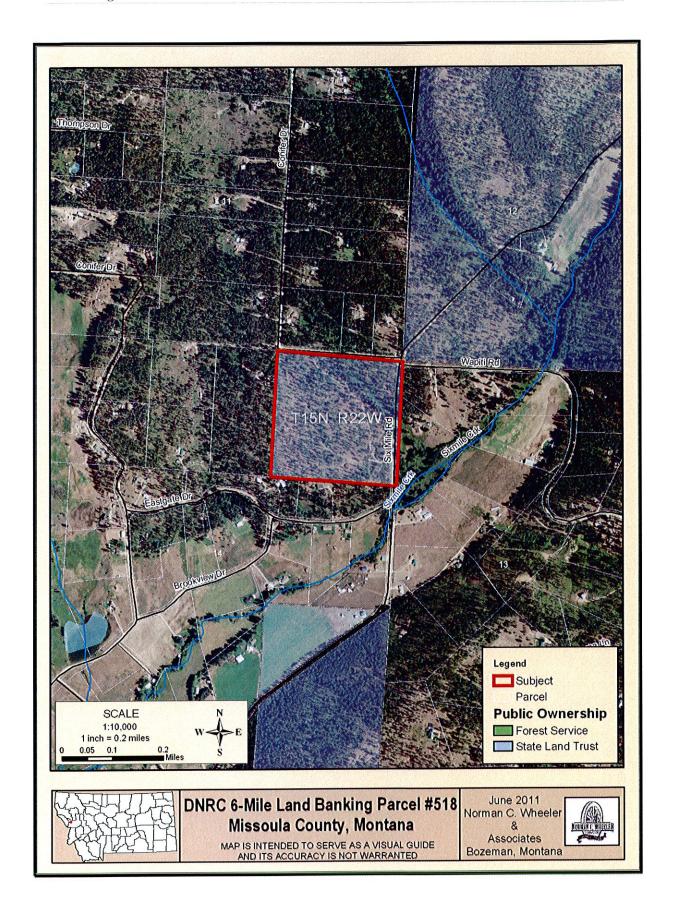
Timber: The subject is a timbered property that is predominately stocked with Ponderosa Pine with some Douglas fir. Based on information provided from the

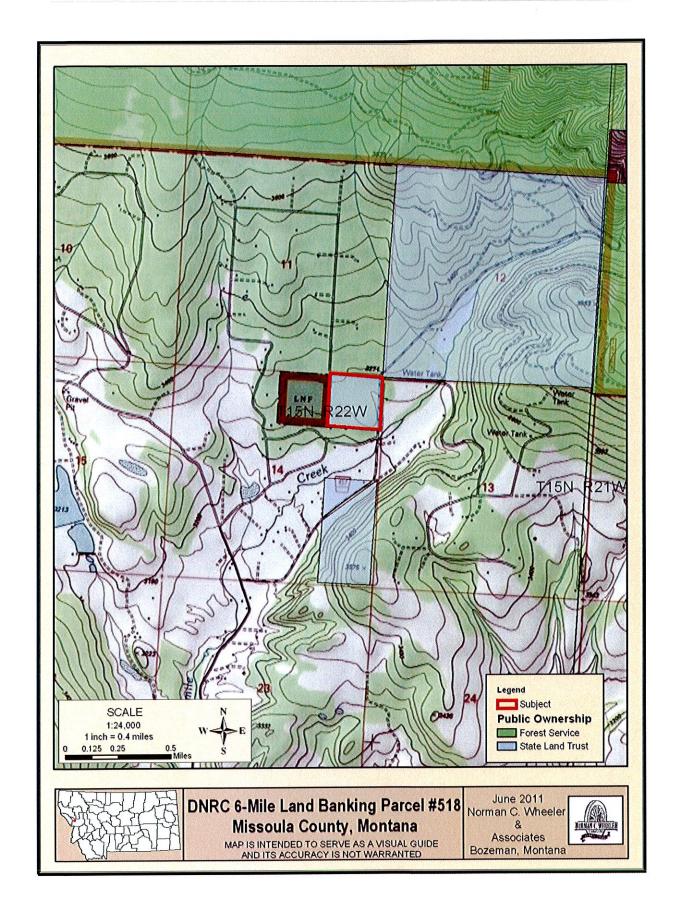


DRNC, there is a net of 247 MBF of Ponderosa Pine and 13 MBF of Douglas fir or a total of 261 MBF or 6.5 mbf/acre. The property was recently harvested and the remaining trees are larger with good spacing. Average dbh is ~16.8".

With consideration to current market conditions of the timber market and other influences in the market, the subject's timber is more of an amenity resource and any value for the timber is inherent with that of the land.

Improvements: With the subject is unimproved, there is phone and electricity on site.

































XIII. APPRAISAL PROCESS

The appraisal process is a methodical procedure leading to a conclusion of value for a specific property. As per the <u>11th Edition of the Appraisal of Real Estate</u>, the process encompasses the following steps:

- 1. Definition of the Problem
 - -Identification of real estate
 - -Identification of property rights to be valued
 - -Date of value estimate
 - -Use of appraisal
 - -Definition of value
 - -Other limiting conditions
- 2. Preliminary Analysis and Data Selection and Collection

-General Data

social

economic

governmental

environmental

-Specific Data

site & improvements

sales & listings

cost & depreciation

income/expense & capitalization rate

- 3. Highest and Best Use Analysis
 - -Land as though vacant
 - -Property as improved
- 4. Application of the Three Approaches
 - -Cost Approach
 - -Sales Comparison Approach
 - -Income Approach
- 5. Reconciliation of Value Indication and Final Value Estimate
- 6. Report of Defined Value

As per the <u>Real Estate Appraisal Terminology</u>, <u>Revised Edition</u> the appraisal process is defined as:

"A systematic analysis of the factors that bear upon the value or utility of real estate. An orderly program by which the problem is defined, the work necessary to solve the problem is planned, and the data involved are acquired, classified, analyzed, and interpreted into a final opinion or conclusion."

Value is based on four independent economic factors: utility, scarcity, desirability, and effective purchasing power. In order for anything to have value it must have utility, be relatively scarce, have desirability, and there must exist a market that has effective purchasing power.

In the appraisal of real estate, appraisal theory indicates that there are three commonly accepted approaches in determining value. These include the Cost Approach, the Income Approach and the Direct Sales Comparison Approach. Each approach to value is based on economic principles that influence value or utility. As outlined in the definition, the appraisal process involves the identification of the appraisal problem including the type of value to be estimated, the property rights to be appraised, and the purpose of the appraisal.

Once the appraisal problem has been defined, the preliminary analysis begins. This involves developing a work plan to gather and analyze pertinent data that will be used in solving the appraisal problem (estimating defined value).

The appraiser considers relevant data, both specific (site) and general (non-site), documenting this data to support the conclusions stated in the appraisal.

When appraising a property, as many of these methods that apply should be used in the valuation process. In some instances, all three approaches are pertinent and provide reliable estimates of value. In other cases, only one or two approaches may be applicable.

For example, in the recreational mountainous area of the Montana ranch market, the income approach may not provide a reliable value estimate as the market is being driven by aesthetics and emotion rather than concern over potential earnings. The direct sales comparison approach may not be applicable for a cattle feedlot in a dry cropland market where there have not been any feedlot sales. The direct sales comparison approach is also difficult to complete when there is a lack of sales data with directly comparable components.

Cost Approach: The cost approach is based upon the proposition that an informed buyer would pay no more for a property than the cost of the land plus the current cost of replacing the improvements less the applicable depreciation from all causes charged to the improvements. This approach can be useful when valuing rural properties that have relatively new improvements or specialized improvements on rural properties when the market is homogeneous and informed.

Current replacement and reproduction costs can be estimated from cost estimation guides, or from builders and contractors depending on which is more applicable to the appraisal problem. The amount of depreciation to apply to the replacement cost new of the improvements is based upon market driven conclusions. The depreciated or market value of the improvements is then added to the land value for a total value estimate.

Direct Sales Comparison Approach. This approach is based upon the assumption that an informed purchaser would pay no more for a property than the cost of acquiring an existing one with the same utility.

The appraiser must judge the amount of difference between the selected comparable sales and the subject property.

The appraiser then makes either dollar or percentage adjustments to each comparable sale for each of the factors. If for example, the comparable sale has inferior land, then a positive adjustment to that comparable sale's price would be made. If the comparable sale has a location that is superior to the subject's location, then a negative adjustment would be made to the sale.

Income Approach. The income approach is used by the appraiser to convert an expected income stream for the subject property into a value indication. It is based upon the following relationships:

Income ÷ Rate = Value

and

Income x Factor = Value.

The appraiser estimates the rate or factor to use through market research of comparable sales. First the selected comparable sales need to be analyzed to determine the relationship between their estimated income and their sale prices. From this relationship a capitalization rate or an income multiplier factor can be estimated to aid in analyzing the subject. The subject property should then be investigated to determine the quality and quantity of the anticipated income streams. Once the appraiser determines a reasonable income stream for the subject property, either the market derived capitalization rate or the income multiplier factor can be applied to the anticipated income stream to calculate an estimated value for the subject property.

Reconciliation: The critical step in the valuation process is where the appraiser reconciles the different value indications from each of the approaches to arrive at a final estimate of value. During the reconciliation process, the appraiser examines why the approaches differ in the value indications and determines the strengths and weaknesses of each approach. The appraiser must then communicate to the reader why one approach might be given primary consideration or why another approach is not emphasized.

The appraisal assignment is completed when the appraiser delivers the estimate of value, subject to the stated assumptions and limiting conditions, to the client. Typically, a written report documenting both the general and specific data that was used in the valuation process is prepared and delivered to the client. This aids the user in understanding how certain conclusions were reached by documenting the reasoning behind these conclusions.

XIV. HIGHEST AND BEST USE ANALYSIS

The analysis and the conclusion of the highest and best use is the basis of identifying the appropriate use or uses of the subject that will produce the greatest economic benefit for the owners. It is also used in the selection of comparable sales that are influenced by similar market conditions with a highest and best use consistent with the subject property. In arriving at the highest and best use conclusion, trends as indicated by sales, uses of similar properties in the area, economic conditions, in addition to characteristics of the subject property are all considered.

According to the 11th Edition of The Appraisal of Real Estate highest and best use is defined as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."

To be at the highest and best use, the property must meet four criteria. It must be:

- 1. Physically Possible
- 2. Legally Permissible
- 3. Financially Feasible
- 4. Maximally Productive

Real estate is valued in terms of its highest and best use. The highest and best use of the land or site, if vacant and available for use, may be different from the highest and best use of the property if improved. This will occur when the improvement is not an appropriate use, but it still makes a contribution that causes the total property value to be greater than the value of the site alone. Given the lack of improvements, an analysis of the subject as improved is not necessary.

Highest and Best Use as Unimproved

The appraised property is located in a suburban and recreational area of the Missoula Valley. The property is located west of Missoula within the vicinity of Frenchtown/Huson; fringe communities of Missoula. More specifically, the property is located in the Six Mile area of the valley. While unzoned, the subject lies within the 1975 comprehensive plan. Within the vicinity of the subject, typical uses of land in the area include residential on various sized parcels, agricultural production, timber, and recreational uses. Of these uses, rural residential is the most dominant with a reported 194 lots being within a 1 mile radius of the subject.

Overall, this is a multi-faceted area with a dominant use of land for single-family residential uses. Much of the residential development is concentrated in areas with road and utility infrastructure (i.e. around 6-Mile, Remount Road, etc.). There are some larger private ownerships in the area (Ward Ranch, Beaver Creek Ranch, Boyer). While there are some commercial uses of property in the area, this is not probable for the subject given its location and will not be discussed any further in this analysis.

Typically, properties such as the subject have what are referred to as "augmenting uses", such as investment, recreational, and/or development. These uses are paired with what are known as "complementing uses". Complementing uses are typically considered to be agricultural, timber, and potential hunting or recreational lease uses. Usually, augmenting uses represent the primary elements of the property that drive value and speculation, while complementary uses are those which provide some income to the owner while the property is held for investment. Complementary uses often represent the physical use of a property.

The value of the subject property as established in this appraisal is based on its current configuration and size. Comparable sales reflective of value for similar sized parcels such as the subject will be analyzed. Each of these parcels are subject to land use planning and subdivision regulations, as is the subject, and each has inherent characteristics to varying degrees similar to the subject.

In determining the highest and best use of the subject, I will focus on typical uses indicated by the market, which include rural homesite(s), investment, agriculture/timber, and recreational purposes. These uses are not necessarily mutually exclusive of each other.

Is it legally permissible? The subject is unzoned and there are no deed restrictions affecting any permissible uses of the property. The subject is not surveyed nor is it platted into smaller tracts. Thus, any subdividing of the subject would have to comply with the Montana Platting and Subdivision Act.

Overall, there are multiple legal permissible uses of the subject property with the most typical being for rural/recreational, residential, agriculture/timber and investment purposes which include subdivision and residential development.

Is it physically possible? Typical physical characteristics of any property that would have an impact on highest and best use include soils, topography, access/roads, utilities, flood plain, water table, and sources of domestic water – which would have an effect on the utility of the property from the standpoint of a homesite and/or further development.

With respect to the physical characteristics of the subject and potential uses within the market, the following factors are noted:

- •Utilities are available along the county road.
- •With respect to the availability of domestic water, well logs in the area show that most wells are low producing. As evident by the numerous parcels in the area however, these low producing wells are used in conjunction with a residential use.
- •Access is good along a public road. Thus, the subject has good legal and physical access.
- •The subject has fair recreational attributes that emphasizes its timbered setting with area wildlife typical of the area. Given the degree of development in the area and adjacent to the subject, it is not necessarily exclusive or secluded. It is noted however that the property is large enough where a homesite can be set back away from other neighboring properties.
- •From an agricultural standpoint, the property has limited grazing resources but would be suitable for horses.
- •Topography is mostly gentle slopes.

- •The northeastern corner of the property does have some seasonal wet areas and would not be suitable for development or a residential homesite. While there are physical limitations specific to this area only, this does not impact the property as a whole.
- •The subject is a timbered property with some merchantable timber. As a drier site, it is not necessarily productive for growing timber; especially in comparison to other areas of western Montana. It's noted the market is not motivated for the production and harvesting of timber in the current market or for this size of property. The timber is however an aesthetic amenity given it consists of larger trees.

With respect to the legally permissible uses that are physically possible, the most typical use of the subject would emphasize its use for residential homesite purposes – which includes the potential for further subdivision. This use is consistent with the surrounding area.

Is it financially feasible and maximally productive? This test is applied to the uses that have passed the previous criteria. If the revenues exceed the expenses, the use is generally considered to be financially feasible. With commercial or industrial properties, it is generally understood and accepted that for a use to be financially feasible, that the net revenue generated from that use must be sufficient to satisfy the required rate of return on the investment.

Property like the subject is viewed as an investment with returns being generated from income generating sources that are not related to the production of the land. Instead, the returns are made through long-term appreciation, subdivision, and other avenues including the donation/sale of a conservation easement. Buyers also place a degree of intrinsic value on the personal amenities and uses the property may allow them during this ownership. These may be as simple as enjoying the aesthetic quality and features of the property.

It's further noted that while a property may be suitable for a homesite or multiple homesites, this does not necessarily mean that an owner(s) will utilize them for this purpose. The fact a property is capable of a form of residential use contributes to the overall utility and sustains the quality of the property as an investment.

As indicated by trends for property like the subject, returns have been realized through appreciation. Sales:resales over longer-term periods (say 10 years) have indicated rates of appreciation from 10% to 15% per annum. With respect to appreciation in the market over the last say 30 months, it is for the most part non-existent. Thus, appreciation on a short-term basis is therefore removed from the investment matrix of the property.

With regards to subdivision and development, it is not immediate in today's market. This is from the standpoint it's unlikely that one would acquire a property like the subject and <u>immediately</u> proceed with obtaining entitlements AND incur capital expenditures relative to such a venture. As indicated by sales in other areas and discussions with participants, the investment opportunities, which include that anticipation of future subdivision and/or development, are moreso on the basis of a long-term commitment with the anticipation that these activities are eventual.

With consideration to the subject as a whole and the market, the dominant use of the subject that is financially feasible and also maximally productive is as a rural recreational tract of timberland suitable for homesite purposes. Inherent are the long-term investment opportunities of the market which include further subdivision.

Conclusion: Given the funneling process, I conclude that the highest and best use of the subject is as recreational timberland suitable for rural residential homesite purposes. Inherent are the long-term investment opportunities within the market which includes the potential for further subdivision.

XV. APPROACHES TO VALUE

When practical, the appraiser uses the three recognized approaches to value: the sales comparison approach, the cost approach, and the income approach. In this appraisal, the sales comparison approach will be completed to estimate value. The income and cost approaches are not reliable and/or applicable approaches to estimate value for the subject.

The market for rural and recreational property with non-agricultural or timber influences is not solely motivated by the earning potential of the property in terms of products produced from the land. The market is partially influenced by the potential for other investment opportunities, aesthetics and recreational opportunities. Purchasers consider the income tax benefits, which may include the granting or selling of a conservation easement, to offset other earned income.

The subject is an income producing property from the standpoint it has timber related resources. It's noted however, that there is not a significant amount of timber as part of the whole and the market for timber is weak. Thus, capitalization rates for rural and recreational property like the subject are typically less than say 2%. With low capitalization rates, the reliability of the income approach is adversely affected since small changes in selected capitalization rates results in a significant difference in value. Thus, it is concluded that the income approach is not a reliable approach to estimate value for the subject and it was not completed.

The cost approach is based on the premise that the value of the land plus the depreciated value of the buildings plus any other components of value (timber, grazing leases, etc.) is equal to the value of the property as a whole. Considering that the subject lacks building improvements or multiple components that contribute value, the cost approach is not applicable.

The exclusion of the cost and income approaches does not affect the reliability or credibility of this valuation. These approaches would not typically be completed by other appraiser peers on this type of property in this market area.

XVI. SALES COMPARISON APPROACH

A. Overview of Approach: The sales comparison approach is based on the premise that the market value of a property is related to the prices of comparable, competitive properties that have sold in the market. This approach is based on the principle of substitution where the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability, or that a knowledgeable buyer would pay no more for a property than they would pay for a substitute of equal utility.

The comparable sales are adjusted for dissimilar factors and a final estimate of value is made. Factors that may have to be accounted for include: conditions of sale, financing, time, land use, differences in improvements, location, development potential and physical characteristics (recreation, size, topography, lay-out, utilities, quality, etc.).

The sales comparison approach uses a direct comparison to other transactions on some common unit of comparison such as number of acres, thousand board feet (MBF) animal units (AU), front foot, etc. For purpose of this analysis, a value on a total \$/acre basis will be utilized. I will also consider the data on the basis of its total value.

B. Selection of Sales: For purposes of valuing the subject, I have researched the market for sales of properties, which are most similar in terms of their land use, size, physical characteristics and utility. While I focused on data that was similar in size to the subject, there were minimal sales of 40 acre tracts. Thus, I considered other sales – with many being approximately 20 acres. I also considered the historic listing of the subject.

Within the context of this research, I did consider sales of larger tracts (i.e. say 160 acres) but excluded them from the direct analysis.

C. Adjustments: In a market driven by non-economic factors (aesthetics, wildlife habitat, personal attractions, buyer/seller motivations, and recreational opportunities, etc.) it is reasonable to expect a significant variance in value between similar properties. With respect to the current state of the market, there is more variability in indicated values – simply on the basis of where the market WAS versus where the market IS today or transitions in value over time.

For purposes of this appraisal, I have considered various factors that may have an influence on value. In some cases, these factors can be measured in the market (quantitative adjustment) while others are more subjective that cannot be measured directly through the pairing of sales data but are known to be a consideration by market participants (qualitative adjustment).

Quantitative Adjustments: In my research of the market and the analysis of the data, I considered factors that could be measured in the market that were less subjective and variable. Quantitative adjustments are made to isolate a land value.

Typically, adjustments are made to account for building improvements and for time or market conditions. Within this data set, most of the sales are unimproved and are for the most part recent indicators being post 2009. For this analysis, the improvements associated with sale 2 (a well and foundation) and sale 4 were accounted for. In all cases, the land is the primary component of value.

Within the data set, there is a difference in size. While sales 2 and 3 are similar, the rest of the sales are smaller being half the size of the subject. Initially, I will address this difference as a qualitative factor and then consider it on a quantitative basis within the value analysis.

On a quantitative basis, I did a pairing between sales 4 and 3 AND with sales 1 and 2. These pairings show discounts from say 25% to 24% for their larger size or about 12% to 13% per multiple. This is supported by other data in the Houle Creek drainage. This adjustment will be applied subsequent to the qualitative analysis of the data.

<u>Qualitative Adjustments:</u> The qualitative factors are ones that are considered by the market but are more subjective and/or difficult to measure and quantify. For purposes of accounting for the qualitative factors, these will be considered when the sales are compared directly to the subject for purposes of establishing or bracketing value.

Some of the factors considered on a qualitative basis vary greatly between market participants. One participant may emphasize views, hunting opportunities, productivity, development, etc. while others may not place as much consideration on these factors. This is the intricacy of this market, which does account for some of the variability between values. Although a measurable difference in value may not be directly abstracted from the market for the qualitative factors, they are considerations, which will assist in determining a value for the subject.

Size: With an inverse relationship, size is a factor of value that needs consideration. The smaller sized sales show a higher per unit value. This is a primary difference between the sales and the subject.

Market Location: While there are locational differences between each sale and the subject, which may make it more or less desirable, these factors would be considered separately within its aesthetics, access and/or recreational opportunities which will be discussed below.

All the sales are for the most part located close within the Missoula Valley. Sale 2 is located in the Pattee Canyon area near Missoula. This area is considered superior to the subject and the other sales.

Topography: The subject consists of level slopes which is conducive to its development. Conversely, many of the sales have more variable topography with some steeper slopes associated with sale 3. Thus, while having more sloping topography, it does provide for some diversity. Emphasizing the usability, the sales are for the most part inferior to the subject.

Access: The type of access and its quality are acknowledged as a factor of value.

Development/Subdivision Potential: The subject is located in an area where subdivision is prevalent. In addition, the property has all the physical factors relative to its potential for further subdivision (i.e. access, utilities, topography). However, the market is not necessarily driven by the potential for subdivision and development. Thus, while noted, it is less of a factor with respect to this analysis.

Motivations: The motivations of the buyer/seller are a consideration – which includes the buyer being an adjoining owner.

Recreational and Amenities: The recreational opportunities and the aesthetic attributes are factors of value within the market and for the data considered. These factors are more of all encompassing terms that cover a wide segment of features. These are also factors that buyers and sellers place varying emphasis on. It's noted that many of the factors are interrelated and not mutually exclusive of each other. For purposes of this analysis, recreational and amenity factors that would be considered by the market include:

-<u>Public Lands</u>: The availability of adjacent public lands for recreational use is a consideration.

-<u>Surface Water:</u> With the exception of sale 3, the sales and the subject are for the most part void of water – exception being on a seasonal basis.

-<u>Views</u>: Properties with diverse views are desired. It's noted that the subject's viewshed is somewhat enclosed.

<u>-Timber Resources:</u> The subject includes a healthy stand of timber with some merchantable resources. While the timber is more of an amenity, the condition and quality of the timber is a consideration.

<u>-Diversity</u>: The more diversity inherent in a property, the more appealing it is to the market. Diversity can be in terms of land uses, topography, and/or habitats. Properties with multiple land uses are more desirable as are lands with diverse topography. Tracts that are single dimensional (i.e. level topography and/or a single land use such as open pasture) are inferior to properties that are multi-dimensional with added diversity.

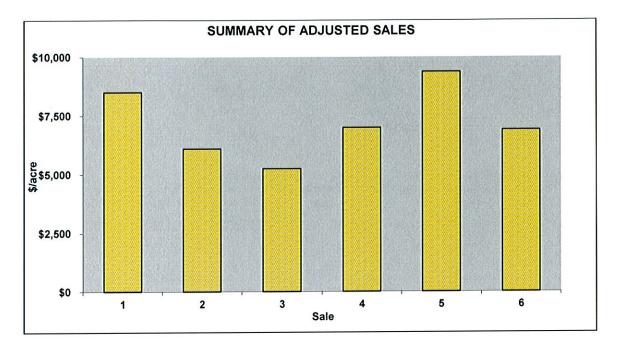
SUMMARY: When considering each factor individually, an overall comparison of each sale to the subject can be developed. Under this analysis, the market influence or importance of each factor is considered. The significance in terms of effect on market value is analyzed, whereby; more weight or emphasis is placed on certain factors over others. Thus, the overall comparison is not merely a summation of the individual ratings but an overall rating based on the most significant factor or combination of factors.

Summary of Sales Data - Oualitative and Ouantitative Adjustments

Summary of Sales Data – Qualitative and Quantitative Adjustments	a – Qualitative	e and Quantital	ive Adjustmen	ts				
Sale Id	Subject	1	2	3	4	5	For Sale	
Reference		Sommerauer	Henkel	Johnson	Riggs	Lee	DNRC	
Date		6/2011	12/2010	9/2009	4/2011	12/2010	Current	
Sales Price		\$170,000	\$250,000	\$210,000	\$155,000	\$175,000	\$276,000	
Buildings		\$0	\$10,000	\$0	\$24,800	\$0	\$0	
Land Value		\$170,000	\$240,000	\$210,000	\$130,200	\$175,000	276,000	
Size (Acres)	40 Acres	20	36.9	40	18.6	18.6	40	
\$/Acre Land Value		\$8,500	\$6,504	\$5,250	\$7,000	\$9,373	\$6,900	
Sale Conditions		0\$	0\$	\$0	\$0	80	\$0	
Time Adjustment		0\$	0\$	\$0	\$0	80	80	
Market WAS		N/A	N/A	N/A	N/A	N/A	N/A	
Market IS								
		88,500	\$6,504	\$5,250	\$7,000	\$9,373	86,900	
			Qualitative A	Qualitative Adjustments		di.		
Market Location	Six Mile	Evaro (0)	Patte Cnyn ()	Miller Ck (0)	Houle Ck (0)	Fire Bucket (0)		
Size	40 Acres	Smaller ()	Equal (0)	Equal (0)	Smaller ()	Smaller ()		
Topography	Level	Offsetting (0)	Var to Steep (+)	Sloping (++)	Offsetting (0)	Offsetting (0)		
Access	Good	(0)	(+)	(+)	(0)	(-)		
Rec/Aesthetic	State Nearby	TNC (0)	State Views (-)	Inhld/Crk (-)	None (+)	None (0)		
Subdivision Potential	Yes	Limited (+)	Limited (+)	None (+)	Limited (+)	Yes (0)		
Initial Indication/Acre		<\$8,500	\$6,504	>\$5,250	<\$7,000	<\$9,373	<\$6,900	
Size Adj. – 25%		<\$2,125> \$6,375	\$6.504	\$5.250	<\$1,750> \$5.250	<\$2,343> \$7.029	006'9\$>	
		2.422		22-622	22-622			

Sale and subject are equivalent to each other or offsetting Sale is better than the subject which implies a negative adjustment Sale is inferior to the subject which implies a positive adjustment Means slightly negative or positive. N/A = Non-applicable
(0) Sale and subject:
(-) Sale is better than
(+) Sale is inferior to
(/) Means slightly n

D. Comparability of Sales and Conclusion of Land Value



The sales indicate an initial bracketed range in value from \$5,250 to \$9,373 per acre. It's noted that the subject has been on the market for \$6,900 per acre over the last say couple of years. Given this price was based on an initial valuation completed in 2008, this would establish the upper thresholds of the market for the subject.

Sales 1, 4, and 5 are the highest valued sales with values in excess of \$7,000 per acre – which exceeds the current asking price for the subject. These sales are half the size of the subject and would thus warrant a lower per acre value for the subject.

On the basis of applying an adjustment for size, the sales indicate a more consistent range in value from \$5,250- to say \$6,500 per acre with sale 5 still being higher than the current ask. The comparability of the sales is further discussed.

-Sale 1 (\$6,375/acre) is a recent sale of a timbered property located in the Evaro area. It sold to a neighboring owner. The property is located less than two miles from Highway 93. The property has variable topography and similar amenities. While being less conducive to subdivision, this is less of a factor in the current market. Thus, sale 1 indicates a value of \$6,375 per acre or a total value of \$255,000.

-Sale 2 (\$6,504/acre) consists of timberland with regen located in the Pattee Canyon area; which is more of an exclusive area than say the 6-Mile. While sale 2 has variable topography with some level ridges, it is for the most part steep. From an amenity standpoint, the property has an aesthetic viewshed inclusive of the Missoula Valley and the back side of Mount Sentinel. Access to this property however, is inferior to the subject. Recognizing the location of sale 2 and its association with Pattee Canyon, a value less than say \$6,500 per acre or \$260,000 is indicated for the subject.

-Sale 3 (\$5,250/acre) is a similar sized timbered parcel located in the upper Miller Creek area. This sale is more remote than the subject and is less conducive to say development and year-round use. It is also less exclusive given it is bisected by a public road. In addition, the property has steeper slopes. While being more suitable as a recreational tract, sale 3 is inferior to the subject and a value greater than \$5,250 per acre or more than \$210,000 is indicated.

-Sale 4 (\$5,250/acre) is a timbered parcel located in the Houle Creek drainage east of the subject in a similar locale. The property is inferior on the basis of its overall use, desirability and utility. A value greater than \$5,250 or more than \$210,000 is indicated.

-Sale 5 (\$7,029/acre) is located just northwest of the Y within a residential area. The property is the least physically similar given it consists of open grassland. Recognizing that the adjusted value exceeds the current asking price, a value less than say \$7,000 per acre is justified. It's noted that on the basis of the overall sales price of \$175,000, the subject would be superior on the basis of its total acreage.

-The subject has been on the market for \$6,900 per acre. While there has been some interest in the property, no offers have been made. Recognizing this price was established in 2008 during a period of stronger market conditions and the lack of any current interest, it's reasonable to say that the current asking price of \$6,900 per acre or \$276,000 exceeds the market. At the same time however, it's noted that the property has not been listed with a real estate brokerage company to expose it to a broader base.

-Other Considerations: With respect to current listing that would compete with the subject, most are at higher prices. There is a listing within the Holloman subdivision that is at \$210,000 for an inferior property.

It's also noted that there have been sales of larger properties in the Gold Creek area of which 160 acre tracts sold in the range of \$1,500 to \$1,600 per acre. While inferior with respect to access and lack of utilities, the total acreage must be acknowledged.

Conclusion of Value: The data indicates a bracketed range in value from a low of \$5,250 per acre by sales 3 and 4 with a high of \$6,900 per acre by the current asking price of the subject. This would establish a total value ranging from \$210,000 to less than \$276,000. Sale 2 would further indicate a value less than \$260,000.

Overall, a range from \$210,000 to \$260,000 is indicated or a mid-range of \$235,000. With consideration to the mid-range, the subject is more like sales 1 and 2, which are above the mid-range of \$235,000. Sales 1 and 2 however, are only 6% and 7% less than the current asking price of the subject in which there has been no strong interest.

Recognizing current conditions of the market, the indicated range and mid-range of the data, a total value of \$240,000 or \$6,000 per acre is concluded for the subject.

XVII. RECONCILIATION OF CONCLUDED VALUE

The reconciliation process is where the appraiser weighs the value indications and other pertinent data to arrive at a final estimate of value for the appraised property. While all three approaches to value were considered in the analysis, this appraisal is based on the sales comparison approach. The indicated values for the subject property are as follows:

Sales Comparison Approach: \$240,000

Cost Approach: Not Completed

Income Approach: Not Completed

In evaluating the strengths and weaknesses within this valuation analysis, recent sales were relied upon and emphasized. The data allowed for the bracketing of the subject. The weakness in the analysis was the minimal number of 40 acre sales and the wider range in initial value.

Based on the set forth analysis, a value of \$240,000 is concluded for the subject.

ASSUMPTIONS AND LIMITING CONDITIONS

The certification of the Appraiser appearing in the appraisal report is subject to the following assumption and conditions as set forth in the report.

- 1. The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
- 2. Sketches in the report may show approximate dimensions and are included only to assist the reader in visualizing the property. The Appraiser has made no survey of the property. Drawings and/or plats are not represented as an engineer's work product, nor are they provided for legal reference.
- 3. The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made.
- 4. Any distribution of the valuation in the report applies only under the existing program of utilization. The separate valuations of components must not be used outside of this appraisal and are invalid if so used.
- 5. The Appraiser has, in the process of exercising due diligence, requested, reviewed, and considered information provided by the ownership of the property and client, and the Appraiser has relied on such information and assumes there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, for engineering which might be required to discover such factors, or the cost of discovery or correction.
- 6. While the Appraiser has inspected the subject property and has considered the information developed in the course of such inspection together with the information provided by the ownership and client, the Appraiser is not qualified to verify or detect the presence of hazardous substances by visual inspection or otherwise, nor qualified to determine the effect, if any, of known or unknown substances present. Unless otherwise stated, the final value conclusion is based on the subject property being free of hazardous waste contaminations, and it is specifically assumed that present and subsequent ownerships will exercise due diligence to ensure that the property does not become otherwise contaminated.

- 7. Information, estimates, and opinions furnished to the Appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the Appraiser can be assumed by the Appraiser.
- 8. The presence of mineral or mineral rights has not been investigated by the Appraiser. It is assumed that influences from mineral, deposits, mineral reservations, and mineral rights are included in the overall market rationale and therefore included in the value conclusion unless otherwise specifically identified. Unless specifically cited, no value has been allocated to mineral rights or deposits.
- 9. Water requirements and information provided has been relied on and, unless otherwise stated, it is assumed that:
 - a.) All water rights to the property have been secured or perfected, that there are no adverse easements or encumbrances, and the property complies with Bureau of Reclamation or other state and federal agencies.
 - b.) Irrigation and domestic water and drainage system components including distribution equipment and piping are real estate fixtures:
 - c.) Any mobile surface piping or equipment essential for water distribution, recovery, or drainage is secured with the title to real estate; and
 - d.) Title to all such property conveys with the land.
- 10. Disclosure of the contents of this report is governed by applicable law and/or by the Bylaws and Regulations of the professional appraisal organization(s) with which the Appraiser is affiliated.
- 11. Neither all nor any part of the report, or copy thereof, shall be used for any purposes by anyone but the client specified in the report without the written consent of the Appraiser. This report was prepared for the client's use at the client's sole discretion within the framework of the function stated in the report and its use for any other purpose is beyond the scope contemplated in the appraisal.
- 12. Where the appraisal conclusions are subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workman like manner consistent with the plans, specifications and/or scope of work relied upon in the appraisal.

- 13. Acreage of land types and measurements of improvements are based on the physical inspection of the subject property unless otherwise noted in this appraisal report.
- 14. EXCLUSIONS. The Appraiser(s) considered and used the three independent approaches to value (cost, income, and sales comparison) where applicable in valuing the resources of the subject property for determining a final value conclusion. Explanation for the exclusion of any of the independent approaches to value in determining a final value conclusion has been disclosed in this report.
- 15. No one provided significant professional assistance to the person signing this report.
- 16. The Appraiser's liability is limited to the fee charged for the report and professional services.
- 17. Acceptance of the report by the client constitutes acceptance of all assumptions and limiting conditions contained in the report.
- 18. This appraisal has been prepared for the sole and specific needs of the identified clients. To the extent any third party relies on or uses this appraisal, the appraiser making this appraisal hereby disclaim any liability for the contents herein and for any changes that may have occurred since the date of the appraisal.

EXTRAORDINARY ASSUMPTIONS: None

HYPOTHETICAL CONDITIONS: None

CERTIFICATE

I certify that, to the best of my knowledge and belief:

-The Appraiser has no present or contemplated future interest in the property appraised; and neither the employment for the appraisal or compensation for it is contingent upon the appraised value of the property.

-The Appraiser has no personal interest or bias with respect to the subject of the appraisal report or the participants to the sale or in the property appraised. The "estimate of value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color, or national origin of the owners or occupants of the properties in the vicinity of the property appraised.

-The Appraiser has previously inspected the subject property. No recent inspection of the subject was completed for purposes of this assignment. To the best of the Appraiser's knowledge and belief, all statements and information in this report are true and correct, and the Appraiser has not knowingly withheld any significant information which would have an impact on valuation.

-All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions, and conclusions contained in this report).

-The Appraiser's analyses, opinions, & conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

-This appraisal report has been made in conformity with and is subject to requirements of the Code of Professional Ethics and Standards of Professional Conducts of the appraisal organizations with which the Appraiser is affiliated, and/or State license/certification requirements of the state in which the property appraised is located.

-All conclusions and opinions concerning the real estate are set forth in the appraisal report, along with the analysis of relevant data, were prepared by the Appraiser whose signature appears on the appraisal report and no one provided significant professional assistance. No change of any item in the appraisal report shall be made by anyone other than the Appraiser and the Appraiser shall not be responsible for any such unauthorized changes.

-The Appraiser is a Certified General Appraiser with the State of Montana. All state continuing education requirements have been met. The Appraiser is an Accredited Rural Appraiser with the American Society of Farm Managers and Rural Appraisers.

-Engagement in this assignment was not contingent upon developing or reporting predetermined or specific results.

-Compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value nor is the compensation based on a percentage of the concluded value(s). Neither is compensation based on conclusions that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event.

-I declare that I hold myself out to the public as an appraiser or perform appraisals on a regular basis, and that because of my qualification as described in this appraisal, I am qualified to make appraisals of the type of property being valued.

-I have not performed services with respect to the subject property over the three years prior to the date of this valuation.

Paraic David Neibergs, MA, ARA

Accredited Rural Appraiser

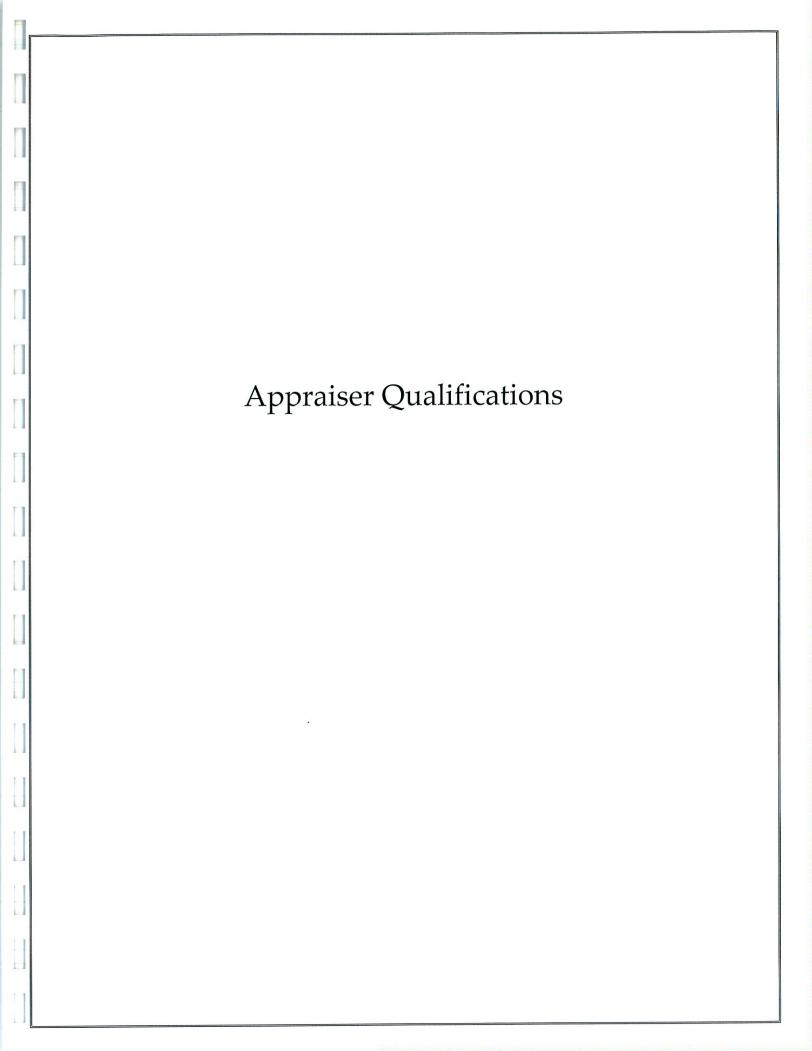
Montana General Certified Appraiser # 248

Exhibits

-Appraiser Qualifications

-Scope of Work

-Comparable Sales



Paraic David Neibergs, A.R.A., M.A. - Statement of Qualifications

Business Experience:

2/00 – Present	Independent Appraiser, Norman C. Wheeler & Assoc., Missoula, MT
4/92 - 2/00	Senior Appraiser, Farm Credit Services. Spokane, WA & Missoula, MT
4/91 - 4/92	Assistant Production Manager, Briarwood Farms. Rochester, WA
9/89 - 3/91	Research Assistant, Washington State University. Pullman, WA
5/89 - 9/89	Private Contractor, Farm Credit Services. Missoula, MT
5/87 - 5/89	Credit Officer/Appraiser, Farm Credit Services. Missoula, MT
9/89 - 3/91 5/89 - 9/89	Research Assistant, Washington State University. Pullman, WA Private Contractor, Farm Credit Services. Missoula, MT

Appraisal Experience:

Responsible for completing real estate appraisals and consultations on agricultural, recreational, transitional and rural properties throughout Montana, northern Idaho, and eastern Washington. Specializing in appraising rural/suburban property and conservation easements. Properties appraised consists of ranches, irrigated and dry land farms, conservation easements, islands, WRP easements, special use valuations, recreational tracts, timberland, rural subdivisions, lake frontage, fish hatcheries, rural homes, Superfund sites, and other special purpose properties. Other assignments include consulting analyses, property partitions, partition referee, and fractionalized interest valuations as well as appraisals for purposes of land exchanges. I have been a guest speaker for conservation easement seminars in western Montana, including the LTA Northwest Land Trust Conference in May 2007 and the Washington State ASFMRA 2001 Chapter Meeting.

Real Estate Sales Experience:

Prior to becoming a licensed agent, purchased and sold property outside of a real estate company. As a licensed agent specializing in rural property, have been active in property purchases, sales, management and negotiations.

Appraisal Education:

Successfully completed the following appraisal courses and seminars offered through the American Society of Farm Managers and Rural Appraisers, Appraisal Institute, Northwest Farm Credit Services, and other appraisal education sources. This is exclusive of real estate licensing and associated continuing education.

A-10	Fundamentals of Rural Appraisal	Irrigation/Engineering Workshop
A-12	Standards and Ethics, 2/03, 2/05, 10/06, 10/09	Environmental Risk in Lending
A-15	Report Writing	Timber Valuation Seminar, 2/05
A-20	Principles of Rural Appraisal	Permanent Planting Seminar
A-22	UAAR Computer Training	Conservation Easement Seminar, 11/98
A-25	Eminent Domain	Water Rights/Irrigation Workshop, 3/99
A-29	Highest and Best Use	Rural Land in Transition, 3/06
A-30	Advanced Rural Appraisal	Conservation Easement Seminar, 2/01
AI310	Income Capitalization	Federal Land Acquisitions, 6/02
ΑI	Introduction to GIS Applications 10/02	Residential Construction, 3/03
	Conservation Easement Seminar 4/2006	MT Access Laws & Conservation Easements, 3/06
AI 797	Valuation of Conservation Easements 7/2008	USPAP – 10/2006, 2/2009, 2/2011

Education:

- -Master of Arts (M.A.) in Agriculture Economics. Washington State University. May 1991
- -Bachelors of Science. in Ag. Economics (Cum Laude). Washington State University. May 1987

Professional Achievements and Affiliations:

- -Accredited Rural Appraiser (A.R.A.) designation with the ASFMRA
- -Certified General Real Appraiser in the State of Montana. Previous certification in Washington & Idaho.
- -Past Director of Inland Northwest Land Trust Spokane, WA
- -Montana Real Estate Licensee
- -Past President of Montana Chapter of American Society of Farm Managers & Rural Appraisers

Clients and Users of Services

Private Landowners and Professionals

- -Numerous individuals, investors, partnerships, and corporations
- -Attorneys, accountants, and other professionals
- -Land Trusts on the behalf of landowners seeking conservation easements
- -WGM Group

Financial Institutions

- -25 Farm Credit Service offices in three Northwestern States (ID, WA, and MT)
- -Farmer Mac
- -First Interstate Bank System
- -NORWEST Bank
- -JP Morgan Chase
- -Rocky Mountain Bank
- -U.S. Bank
- -Mountain West Bank
- -Bank of America
- -Met Life Bank & Metropolitan Life Insurance Company
- -First Security Bank
- -Ravalli County Bank

Tribal Entities

- -Kalispel Tribe of Indians
- -Coeur d' Alene Tribe of Indians
- -Kootenai Tribe of Indians
- -Confederated Salish and Kootenai Tribe

Public Entities

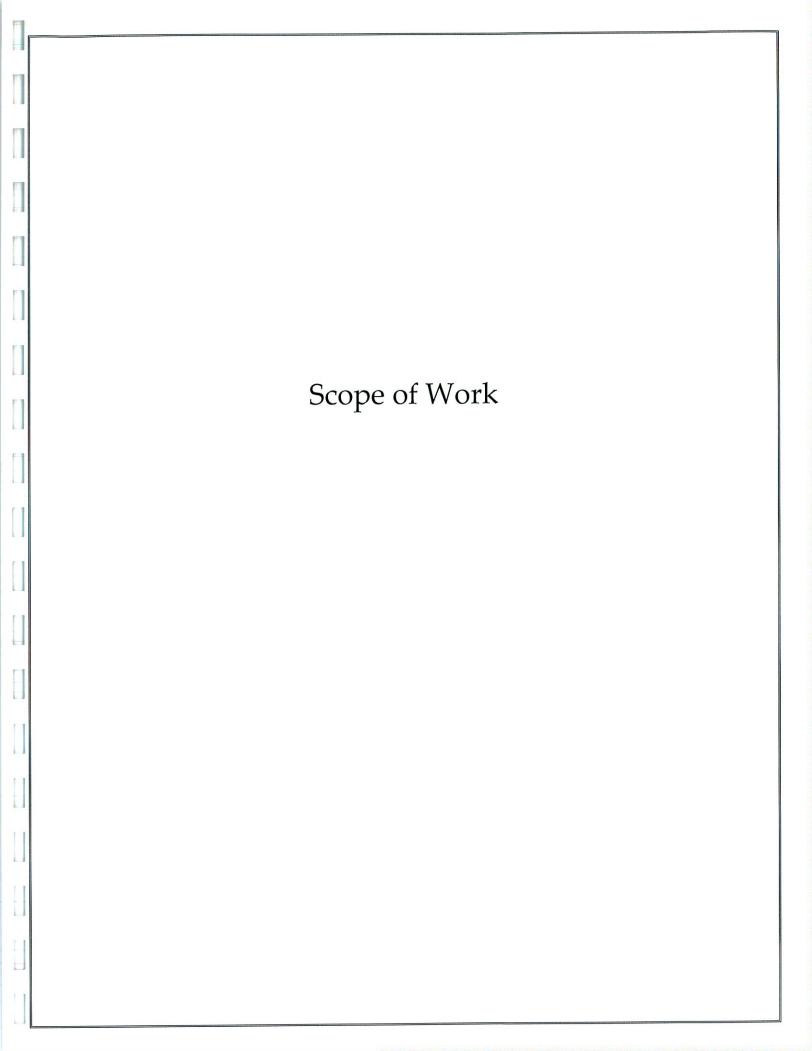
- -United States Department of Agriculture
- -United States Forest Service
- -Natural Resources and Conservation Service
- -State of Montana Fish, Wildlife, and Parks
- -United States Fish and Wildlife Service
- -Appraisal Services Directorate, National Business Center
- -Bureau of Land Management
- -Idaho Department of Fish and Game
- -City of Missoula
- -State of Montana DNRC, NRD/DOJ, Department of Justice
- -Bureau of Indian Affairs
- -Bonneville Power Administration
- -Idaho Department of Lands
- -University of Colorado Foundation
- -Missoula County
- -Ravalli County

Others

- -The Nature Conservancy of Montana
- -The Nature Conservancy of Idaho
- -Fourth Judicial District Court
- -Vital Ground Foundation
- -Five Valleys Land Trust
- -Bitter Root Land Trust
- -The Blackfoot Challenge
- -Montana Land Reliance
- -Trout Unlimited
- -Ducks Unlimited
- -Avista Utility Corporation
- -Lawyer Nursery
- -City of Salmon, Idaho
- -Teller Wildlife Refuge
- -Crown Pacific Timber Company
- -Plum Creek (through MTFWP, USFS, and TPL)
- -Various Real Estate Agencies and Consultants
- -The Trust for Public Lands
- -Potlatch Corporation
- -The Bitter Root Stock Farm

- -Nora Bank
- -Alpine Bank
- -CGB
- -Mellon Trust
- -Heritage Bank
- -Rabo AgriFinance

- -The Clark Fork Coalition -The Conservation Fund
- -Forest Capital/Patriot Investments
- -American Land Conservancy
- -Southern Pines Plantation
- -The Rocky Mountain Elk Foundation



Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program

CLIENT, INTENDED USERS, PURPOSE AND INTENDED USE:

The clients and intended users are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC). The purpose of the appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject property and is intended for use in the decision making process concerning the potential sale of said subject property.

DEFINITIONS:

Current fair market value. (MCA 70-30-313) Current fair market value is the price that would be agreed to by a willing and informed seller and buyer, taking into consideration, but not limited to, the following factors:

- (1) the highest and best reasonably available use and its value for such use, provided current use may not be presumed to be the highest and best use;
- (2) the machinery, equipment, and fixtures forming part of the real estate taken; and
- (3) any other relevant factors as to which evidence is offered.

Highest and best use. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

PROPERTY RIGHTS APPRAISED:

State of Montana lands are always to be appraised as if they are in private ownership and could be sold on the open market and are to be appraised in Fee Simple interest. For analysis purposes, properties that have leases or licenses on them are to be appraised with the Hypothetical Condition the leases/licenses do not exist.

EFFECTIVE DATE OF VALUATION AND DATE OF INSPECTION:

The latest date of inspection by the appraiser will be the effective date of the valuation.

SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:

The legal descriptions and other characteristics of the state's property that are known by the state will be provided to the appraiser. However, the appraiser should verify, as best as possible, any information provided. Further, should any adverse conditions be found by the appraiser in the course of inspecting the property and neighborhood, or through researching information about the property, neighborhood and market, those conditions shall be communicated to the clients and may change the scope of work required.

ASSIGNMENT CONDITIONS:

The appraiser must be a Montana certified general appraiser, and be competent to appraise the subject property. The appraisal is to conform to the latest edition of USPAP, and the opinion of value must be credible. The appraiser is to physically inspect the subject property at a level that will allow the appraiser to render a credible opinion of value about the property. For those properties which consist of more than one section, the appraiser must at least view each section. The appraiser must have knowledge of the comparables through either personal inspection or with use of sources the appraiser deems reliable, and must have at least viewed the comparables.

The appraiser will consider the highest and best use of the subject properties. (Note: it may be possible that because of the characteristics of a subject property, or market, there may be different highest and best uses for different components of the property. Again, that will depend on the individual characteristics of the subject property and correlating market. The appraiser must look at what a typical buyer for the property would consider.)

Along with using the sales comparison approach to value in this appraisal, (using comparable sales of like properties in the subject's market or similar markets), the appraiser will also consider the cost and income approaches to value. The appraiser will use those approaches, as applicable, in order to provide a credible opinion of value. Any approaches not used are to be noted, along with a reasonable explanation as to why the approach or approaches were not applicable. The appraisal will be in a Summary Report format, that is, it will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions. All hypothetical conditions and extraordinary assumptions must be noted.

Landlocked parcels, (parcels with no legal access), will be appraised with the hypothetical condition of having legal access and should be appraised as the property currently exists, which is without legal access, ("as is"). If evidence through reasonably recent sales of comparable properties is available in the subject's market or similar markets, provide the value of the subject property, as it currently exists without access. Include details of an adjustment in appraised value due to lack of access. If no evidence through reasonably recent sales of comparable properties is found in the subject's market or similar markets, and thus no "as is" value can be properly supported, then state such in the report. As with lack of legal access, adjustments for additional items such as lack of land improvements, etc. will be supported by analysis of the pertinent subject market data through sales pairings or other analytical methodology. In moderately to rapidly changing markets, historic information may not be as relevant as more current market information. (Note: Access typically consists of two parts; legal access and physical accessibility. The above references to access, hypothetical and "as is" are in regards to legal access. The physical accessibility to the subject parcel is to be appraised as it currently exists.)

Legally accessible state lands are appraised as accessible only.

The appraisal on the state's lands must include state-owned improvements in the valuation, but exclude lessee-owned or licensee-owned improvements in the valuation. All appraisals are to describe the market value trends, and provide a rate of change, for the markets of each subject property. Comparables sales used should preferably have sales dates within one year of the appraisal and should not be over three years old. The comparable sales must be in reasonable proximity to the subject, preferably within the same county or a neighboring county.

MONTANA DNRC TRUST LAND MANAGEMENT DIVISION Supplemental Appraisal Instructions

This Scope of Work and Supplemental Appraisal Instructions are to be included in the appraiser's addendum.

Subject Property (Located in Missoula County):

Sale # 518: 40 acre; NE1/4NE 1/4, Sec. 14, T15N-R22W

Area Office Contact Information:

Tony Liane - Southwestern Land Office Area Manager

1401 27th Avenue Missoula, MT 59804 Phone: 406/542-4200 Fax: 406/542-4285

Direct Line: 406/542-4261

Or:

Bob Storer - Lands Program Manager

Direct Line: 406/542-4264

Lessees:

Phyllis Ballard (518)

The following will be located in the body of the contract:

If deemed necessary by the contractor rather than including the specific market data in the appraisal report, a separate addendum may be submitted containing the specific market data as a stand-alone document, which must be reviewed and accepted along with the appraisal, and will be returned to the appraiser for retention in his/her files. The appraiser must submit an electronic copy as well as a printed copy of the appraisal report.

The definition of market value is that as defined in 70-30-313 M.C.A.

The DNRC will provide access to each state parcel record, as maintained by the land offices, including but not limited to aerial photos, land improvements, current lease data (lease #, name of lessee, AUMs, acres, costs, etc.), property issues, surveys (if any), and production history. The local land office will provide the contact information to the appraiser in order for the appraiser to obtain access to the proponent's property.

Comparable Sales* *Due to confidentiality and proprietary information, comparable sales information is provided as a separate exhibit not meant for distribution.